

2008-2009 PERFORMANCE PLAN – Portfolio Manager, Internal Equity Strategies (D. Pontes)

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Quantitative Performance Measures

Weight	Factor	Performance Measure	Incentive Schedule
15%	Global Equity Performance	Excess return deviation in basis points relative to: <ul style="list-style-type: none"> Global Equity Performance Benchmark. {GLOBLIC – CPERSGE2} 	- 50 basis points = 0 -10 basis points = 1.0 +15 basis points = 1.5
20%	Global Equity Execution	Execution Performance deviation in basis points relative to: <ul style="list-style-type: none"> All Global Implementation Shortfall instructed trade activity versus VWAP benchmark. Execution performance deviation calculated quarterly by ITG 	<VWAP -10 basis pts = 0 VWAP = 1.0 >VWAP +5 basis pts = 1.5
10%	Index International	Return deviation in basis points relative to: <ul style="list-style-type: none"> International Equity Index Portfolio versus CalPERS FTSE Dev World Ex US & Tobacco {SWB3 – QR32} 	-30 basis points = 0 -10 basis points = 1.0 0 basis points = 1.5
10%	Index Domestic	Return deviation in basis points relative to: <ul style="list-style-type: none"> CalPERS Domestic Passive Portfolio versus CalPERS Custom Wilshire 2500 {SJ64 – YO82} 	-30 basis points = 0 -10 basis points = 1.0 0 basis points = 1.5
10%	Index Emerging	Return deviation in basis points relative to: <ul style="list-style-type: none"> Emerging Index Portfolio versus CalPERS FTSE All EM Ex Tobacco Net {SWJX – CPERSWDV} 	-30 basis points = 0 -10 basis points = 1.0 0 basis points = 1.5
65%	Subtotal	Quantitative Measures	

Qualitative Performance Measures

Weight	Factor	Performance Measure	Incentive Schedule
15%	Leadership	Demonstrate a commitment to leadership and ongoing communication within the Investment Office and in the external investment community as follows: <ul style="list-style-type: none"> Employee Performance and Development – By 6/30/09 ensure 90% completion rate for annual performance appraisals and employee development plans. Employee Mentoring and Recognition – By 6/30/09, take proactive steps to coach and mentor employees, provide succession planning, and acknowledge staff (e.g. through activities such as providing training and development opportunities, holding recognition events, and effectuating the transfer of knowledge) 	From Schedule

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Qualitative Performance Measures (cont.)

Weight	Factor	Performance Measure	Incentive Schedule
	Leadership, cont.	<ul style="list-style-type: none"> • 360 Feedback Process – <ul style="list-style-type: none"> • For 2009, begin the individual 360 feedback survey assessment process. • By 6/30/09 identify one to two areas of personal development. • Investment Office Strategic Initiatives and Cultural Alignment – Ensure the successful implementation of the strategy and cultural alignment efforts by completing the following: <ul style="list-style-type: none"> • By 6/30/09, participate in the implementation of at least one Investment Office strategic initiative. • By 6/30/09, contribute to healthy dynamics and cultural alignment in the Investment Office (e.g. by demonstrating productive participation in meetings, communicating across asset classes, and clearly setting and communicating priorities) • External Investment Community – By 6/30/09, represent CalPERS in the external investment community through a meaningful and substantive engagement as follows: <ul style="list-style-type: none"> • Actively participate in CFASS scheduled events • Attend/participate in at least one equity trading presentation or conference • Diversity - By June 30, 2009, actively promote and achieve diversity among our investment partners and staff by doing at least two of the following: <ul style="list-style-type: none"> • Participate in at least one event designed to recruit staff to CalPERS • Participate in at least one outreach, education, or networking event that supports diversity in the public pension fund partner/manager community • Identify and gain approval for a diversity related initiative or project in the Investment Office or in the CalPERS enterprise(e.g., identify and implement a new emerging manager program, suggest and obtain approval for an outreach or educational event, identify and eliminate a requirement in an existing program that may serve as an artificial hurdle for new and emerging firms, or identify and implement an expansion or enhancement to an existing diversity program or effort) 	

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Qualitative Performance Measures (cont.)

Weight	Factor	Performance Measure	Incentive Schedule
10%	Trading Initiatives	<ul style="list-style-type: none"> • Enhancement of Trading Platform - By June 30th, 2009, further the enhancement of CalPERS global trading liquidity access. This will involve the analysis, testing, and connection to the most relevant Global dark-pool/crossing/trading platforms. This enhancement will lead to better execution for our Internal Trading Team from an improved price discovery process. • Enhancement of Broker Evaluation Process – Further enhance the current broker evaluation and allocation process in time for the June 30th, 2009 semi-annual broker evaluation report used to determine commission allocation. The primary objective of these efforts will be to closely work with our external diversity consultant, Mosaic, in order to consolidate our current broker roster. Enhancements will include more in-depth execution detail, more specific and detailed measurement of Value Added, and more consistent communication with all counterparties, whether currently active or inactive. In addition, broker performance will be monitored on a monthly basis to better prepare for the semi-annual Evaluations. The enhanced review process will work to provide greater feedback to the evaluated counterparties in order to further develop CalPERS' Global execution relationships. The initial process enhancements will be implemented for the 1H '09 Broker Evaluation which is compiled through June 30, 2009. 	From Schedule
10%	Global Equity Benchmark Shift	<p>By June 30, 2009, assist in the Global Equity effort to migrate to the new, cap weighted Global Equity benchmark, including:</p> <ul style="list-style-type: none"> • Working with Portfolio Construction Team to properly coordinate timing and strategy for large-scale asset shift across Developed International, Small-Cap International, and Emerging Markets strategies. • Managing the Internal Trading Team to collaboratively structure an effective trade strategy for implementation of the migration to market capitalization weights. 	From Schedule
35%	Subtotal	Qualitative Measures	
100%	Total	Quantitative and Qualitative Measures	